

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5506-03
Bill No.: Perfected HCS for HB 1710
Subject: Employees- Employers; Economic Development Department; Education, Higher;
General Assembly
Type: Original
Date: May 1, 2012

Bill Summary: This proposal requires the Department of Economic Development to establish the Missouri Works Training Program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(Unknown greater than \$10,128,852)	(Unknown greater than \$10,140,269)	(Unknown greater than \$10,141,786)
Total Estimated Net Effect on General Revenue Fund	(Unknown greater than \$10,128,852)	(Unknown greater than \$10,140,269)	(Unknown greater than \$10,141,786)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 16 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Missouri Works Job Development Fund	\$0	\$0	\$0
Missouri Works Community College New Jobs Training Fund	\$0	\$0	\$0
Missouri Works Community College Job Retention Training Fund	\$0	\$0	\$0
Missouri Jobs for Education Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Sections 620.800 to 620.809 MO Training Program

Officials at the **Budget and Planning (BAP)** assume this proposal establishes the MO Works Training Program, which streamlines and renames the state's workforce training programs. The benefits provided by these programs are not capped in statute, but are limited by annual appropriation authority. To the extent modifications increase participation in the training programs, General or Total State Revenues could be reduced, but not by more than annual appropriation authority allows. This program may encourage other economic activity, but BAP does not have the data to estimate the induced revenues.

ASSUMPTION (continued)

Officials at the **Metropolitan Community College** assume an unknown but significant impact on the College.

Officials at the **St. Louis Community College** assume there is no fiscal impact from this proposal.

No other Community College responded to **Oversight's** request for impact.

Oversight assumes this proposal creates a new jobs credit and a retained jobs credit that allow a credit from withholding taxes. This proposal creates the following funds:

Missouri Works Job Development Fund which shall receive money from the general assembly. **Oversight** assumes that no funding mechanism was outlined in the proposal for this fund so Oversight is showing the funding as coming from General Revenue. Oversight assumes that all money received by this fund will be distributed per this proposal.

Missouri Works Community College New Jobs Training Fund which shall receive money from the new jobs credits, gifts, and other sources. **Oversight** assumes that all money received by this fund will be distributed to community colleges per this proposal.

Missouri Works Community College Job Retention Training Fund which shall receive money from the retained jobs credits, gifts, and other sources. **Oversight** assumes that all money received by this fund will be distributed per this proposal

Bill as a Whole

Officials at the **Department of Economic Development, Department of Higher Education, Department of Revenue, Joint Committee on Administrative Rules, Missouri House of Representatives, Missouri Housing Development Commission, Missouri Senate, Office of Administration, Office of the Governor** and the **Office of State Treasurer** assume there is no fiscal impact from this proposal.

In response to the previous version of this proposal **Department of Agriculture** and the **Department of Natural Resources** stated this proposal would have no fiscal impact.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Sections 67.3000 and 67.3005 Sporting Event Tax Credit

Officials at the **Budget and Planning (BAP)** assume no impact on BAP. However, this proposal would allow \$10 million in tax credits annually, based on ticket sales and eligible event costs, in order to attract sporting events. This proposal could therefore lower General and Total State Revenues up to this amount annually.

This proposal creates a tax credit program, up to \$10 million annually, for eligible donations made to certified sponsors or local organizing committees related to attracting sporting events to Missouri. These agencies would be required to submit payment to the state in an amount equal to 50% of the donation, the equivalent amount of the tax credit. Therefore, this proposal would not directly impact General and Total State Revenues.

Officials at the **Department of Economic Development (DED)** assume their Business Division anticipates that the implementation of this tax credit program would result in the need for one additional FTE to administer the program. The FTE would be an Economic Development Incentive Specialist III (\$40,212) and would be responsible for reviewing the tax credit applications to make sure they meet the criteria of the program, certifying the project, determining the geographic boundaries of the market area for the event, drafting and sending the tax credit awards and ensuring compliance with the program. The related costs for this FTE include one-time expenditures for systems furniture, a side chair, file cabinet, computer, calculator and telephone and recurring costs for professional development and travel. The cap for the new tax credit programs are \$20 million per fiscal year, so there would be an estimated

ASSUMPTION (continued)

negative impact to total state revenue on this same amount. However, this negative impact would be offset by an unknown short-term positive economic benefit as a result of the increase in economic activity; therefore, we are unable to determine the exact amount of the impact.

Officials at the **Department of Revenue (DOR)** assume the department and ITSD-DOR will need to make programming changes to various tax systems and form changes. DOR's Personal Tax Division assumes the need of one Revenue Processing Technician I per 4,000 credits claimed. Additionally, DOR's Corporate Division assumes the need of one Revenue Processing Technical I per 6,000 additional tax credit redemptions.

Oversight assumes this tax credit is limited in scope, and that the Department of Revenue will not incur the number of credit redemptions (count) that will require additional FTE. If this proposal created a significant unanticipated increase in the DOR workload, or if multiple such proposals were implemented, resources could be requested through the budget process.

Officials at the **Joint Committee on Administrative Rules** assume that there is no fiscal impact from this proposal.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state it is unknown how many insurance companies will choose to participate in this program and take advantage of the tax credits. The department has no means to arrive at a reasonable estimate of loss in premium tax revenue as a result of tax credits. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts through out the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

DIFP will require minimal contract computer programming to add this new tax credit to the premium tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the premium tax database, the department may need to request more expense and equipment appropriation through the budget process.

Oversight will range the fiscal impact of the programs from \$0 (no additional tax credits would be issued) to the annual limit of \$10 million for the promotional tax credits. **Oversight** assumes there would be some positive economic benefit to the state as a result of the changes in this

ASSUMPTION (continued)

proposal; however, **Oversight** considers these benefits to be indirect and therefore, have not reflected them in the fiscal note. For fiscal note purposes only, **Oversight** will not indicate any impact for the pre-purchase form of tax credits.

Section 620.007, 620.009, 620.019 and 1 Department of Economic Development Rules

Officials at the **Department of Economic Development (DED)** assume this proposal expands the current level of due diligence conducted by DED on applications for economic development assistance.

DED's Division of Business and Community Services requests two FTE in order to implement the proposed legislation. These FTE will be one Fiscal and Administrative Manager-Band II position and one Accounting Specialist III position. The Accounting Specialist position will be responsible for analyzing and interpreting financial statements and other financial documentation regarding the applicant to determine financial stability. The Fiscal and Administrative Manager Band II will be responsible for management and oversight of the new requirements.

In response to similar legislation filed this year, HB 1865, officials at the **City of Kansas City** and **St. Louis County** assume a minimal cost to preparing the information.

Oversight assumes this proposal in section 620.007 requires applicants for economic development assistance to provide certain information to DED. The proposal does not specify any requirements for review or analysis of the provided information. Therefore DED should be able to collect the required information with existing staff.

Oversight assumes this proposal in section 620.009, requires the sharing of information concerning a company seeking economic incentives. Since state and local governments would be reviewing the information about the company seeking the economic incentives this proposal would have no fiscal impact.

Oversight notes this proposal requires the notification of local governments of DED's opinion on proposals for economic development that have both local and state resource incentives. Oversight assumes that since the state is already involved in the evaluation of the proposed incentives that DED may be able to handle these new responsibilities with existing staff. Oversight will show the fiscal impact as being zero (no FTE) to the cost of one Fiscal and Administrative Manager to potential oversee the coordination of the dissemination of the information.

ASSUMPTION (continued)

Section 620.1881 Missouri Quality Jobs

Officials at the **Department of Economic Development (DED)** assume this proposal revises the Missouri Quality jobs program under Section 620.1881 by adding "or quality job loss" under the definition for a job retention project, Section (4)(c) and lowering the minimum investment amount from \$70 million to \$50 million in new investment within 5 years, Section (4)(d). The revisions also extend the job retention. These revisions may increase the number of applications for the program, but does not impact the overall cap of the program. This program requires a positive economic benefit in order for the project to be approved; therefore, DED assumes a positive fiscal impact over \$100,000 as a result.

Oversight assumes no impact from this proposal as the cap of the program is not changed.

Section 620.2450 Missouri Jobs for Education Program

Officials from the **Department of Economic Development - Division of Workforce Development (DWD)** assume the DWD, in conjunction with the Department of Revenue, would be responsible for the tracking, accountability and reporting of this program.

The proposal would require an existing employee to devote at least 50% of their time to this program. At this time, DWD feels they can use existing resources. If, in the future, additional personal services are needed, DWD will go through the budget process to request an additional FTE.

Officials from the **Department of Revenue (DOR)** assume this proposal creates a mechanism for employers to create new jobs and for the withholding withheld by the new jobs, to be diverted to "credit toward tuition." DOR is not clear of its involvement in this process, but if the process is similar to Quality Jobs, DOR would require additional staff.

Two (2) Revenue Processing Technicians I (Range 10, Step L) will be required to handle phone calls and correspondence related to the program.

Oversight assumes it is unknown how many businesses may participate in this program. If a significant workload increase is created by this program, DOR may request additional personal services through the appropriations process.

Officials from the **Department of Higher Education, Department of Labor and Industrial Relations, State Tax Commission, Missouri Western State University and the Office of State Treasurer** state this proposal will have no fiscal impact on their respective agencies.

ASSUMPTION (continued)

In response to similar legislation filed this year, HB 1728 the following responded:

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** state this proposed legislation should not result in additional costs or savings to BAP.

BAP states this proposal creates the Missouri Jobs for Education Program, which allows qualifying businesses to receive a credit for tuition at a Missouri public institution of higher education based on job creation requirements. Funding for the credit will be derived from Missouri employee withholding taxes paid by a business that are diverted to the Missouri Jobs for Education Fund. This will reduce general revenue by an unknown amount.

Officials from **Kansas City Metropolitan Community College** assume this proposal would have a positive, but unknown, fiscal impact on their college.

Officials from **Linn State Technical College** state the fiscal impact is unknown.

Officials from the **University of Central Missouri** assume this proposal would have no immediate fiscal impact on their university, but could result in revenue increases if tuition credits caused increases in enrollment.

Officials from **Missouri State University (MSU)** state, that not knowing the available funds for tuition credit and the job growth requirement, they can assume that for every qualified person who attends MSU and takes six credit hours part time per semester would produce incremental revenue of approximately \$2,950 annually.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Transfer Out</u> - Missouri Works Job Development Fund	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Revenue Reduction</u> - Tax credit for attracting sporting events to Missouri (67.3000)	\$0 to (Up to \$10,000,000)	\$0 to (Up to \$10,000,000)	\$0 to (Up to \$10,000,000)
<u>Cost</u> - Dept Economic Development			
Personal Service (1 FTE)	(\$33,510)	(\$40,614)	(\$41,020)
Fringe Benefits	(\$17,740)	(\$21,501)	(\$21,716)
Equipment and Expense	(\$9,197)	(\$3,802)	(\$3,898)
<u>Total Cost</u> - DED (Section 67.3000)	(\$60,447)	(\$65,917)	(\$66,634)
FTE Change - DED	1 FTE	1 FTE	1 FTE
<u>Cost</u> - Dept of Economic Development			
Personal Service	\$0 or (\$38,060)	\$0 or (\$46,129)	\$0 or (\$46,590)
Fringe Benefit	\$0 or (\$20,149)	\$0 or (\$24,421)	\$0 or (\$24,665)
Equipment and Expenses	<u>\$0 or (\$10,196)</u>	<u>\$0 or (\$3,802)</u>	<u>\$0 or (\$3,897)</u>
<u>Total Cost</u> - DED	\$0 or (\$68,405)	\$0 or (\$74,352)	\$0 or (\$75,152)
FTE Change - DED	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<u>Revenue Reduction</u> - Department of Revenue - Reduction in employee taxes	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(Unknown greater than \$10,128,852)</u>	<u>(Unknown greater than \$10,140,269)</u>	<u>(Unknown greater than \$10,141,786)</u>
Estimated Net FTE Change on General Revenue	2 FTE	2 FTE	2 FTE

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
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**MISSOURI WORKS JOB
DEVELOPMENT FUND**

<u>Transfer In</u> - from General Revenue for providing financial assistance to companies that create new jobs (620.806)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Transfer In</u> - gifts, contributions, grants or bequests received	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Transfer Out</u> - to companies for the training programs set up to help create new jobs	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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**ESTIMATED NET EFFECT ON
MISSOURI WORKS JOB
DEVELOPMENT FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**MISSOURI WORKS COMMUNITY
COLLEGE NEW JOBS TRAINING
FUND**

<u>Transfer In</u> - new jobs credits (620.809)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Transfer In</u> - gifts, contributions, grants or bequests received	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
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<u>Transfer Out</u> - to community colleges for training project costs	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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**ESTIMATED NET EFFECT ON
MISSOURI WORKS COMMUNITY
COLLEGE NEW JOBS TRAINING
FUND**

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
MISSOURI WORKS COMMUNITY COLLEGE JOB RETENTION TRAINING FUND			
<u>Transfer In</u> - retained jobs credits (620.809)	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Transfer In</u> - gifts, contributions, grants or bequests received	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Transfer Out</u> - to community colleges for training programs.	<u>\$0 to</u> (Unknown)	<u>\$0 to</u> (Unknown)	<u>\$0 to</u> (Unknown)
ESTIMATED NET EFFECT ON MISSOURI WORKS COMMUNITY COLLEGE JOB RETENTION TRAINING FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
MISSOURI JOBS FOR EDUCATION FUND			
<u>Transfer In</u> - General Revenue	Unknown	Unknown	Unknown
<u>Disbursements</u> - Colleges and Universities - College credit tuition	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON MISSOURI JOBS FOR EDUCATION FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
LOCAL POLITICAL SUBDIVISION FUNDS			
<u>Income</u> - Colleges - College credit tuition	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Cost</u> - Local Political Subdivision Funds publishing the required bond notice	<u>(Minimal)</u>	<u>(Minimal)</u>	<u>(Minimal)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - Small Business

Small businesses could see an increase in revenue due to more sporting events in the State.
 Small businesses could benefit from reduced employee taxes.

FISCAL DESCRIPTION

This bill requires the Department of Economic Development to establish the Missouri Works Training Program to assist qualified companies with the training of employees in new jobs and the retraining or upgrading of the skills of full-time employees in retained jobs. The program is to be funded through appropriations to the Missouri Works Job Development Fund which was formerly the Missouri Job Development Fund, the Missouri Works Community College New Jobs Training Fund which was formerly the Missouri Community College Job Training Program Fund, and the Missouri Works Community College Job Retention Training Fund which was formerly the Missouri Community College Job Retention Training Program Fund. The department must, to the maximum extent practicable, prioritize funding to assist qualified companies in targeted industries. The bill specifies the requirements for a qualified company to receive benefits under the program, how the benefits will be calculated, and the penalties for failure to meet any requirements under the program.

The act creates a refundable income and financial institutions tax credit which may be available for sports commissions, convention and visitors bureaus, certain nonprofit organizations, counties, and municipalities to offset expenses incurred in attracting sporting events to the state. Applicants for the tax credit must submit game support contracts to the Department of Economic Development for approval. The tax credit will be equal to the lesser of five dollars for each

FISCAL DESCRIPTION (continued)

admission ticket sold for the event or one hundred percent of eligible expenses incurred. No more than ten million dollars in tax credits may be issued per fiscal year.

The act also creates an income, financial institutions, and corporate franchise tax credit equal to fifty percent of the amount of an eligible donation made, on or after January 1, 2012, to a certified sponsor or local organizing committee for the purposes of attracting sporting events to the state. The tax credit may not be applied against withholding taxes. Certified sponsors and local organizing committees may apply to the Department of Economic Development for the tax credits. Applications for tax credits must be accompanied by payment in an amount equal to the tax credits requested. The Department of Economic Development is prohibited from issuing more than ten million dollars in tax credits each fiscal year.

The Department of Economic Development must require applicants for economic development assistance to provide third-party verification of financial information when it is submitted to the department and may require key officers of any start-up company who is applying for assistance to pay the fees for any background check.

The Department of Economic Development must share all information it has about a company seeking economic development incentives with all local governments and economic development officials competing for the company's business. Local governments and economic development officials must also share all negative information they receive about a company.

The Department of Economic Development must develop a five-star system to apprise local governments of the department's opinion on proposals for economic development incentives that combine local and state resources.

This proposal establishes the Missouri Jobs for Education Program to provide a tuition credit for certain business owners or companies who create new full-time jobs in Missouri that can be used by the business owner or a person of his or her choice toward tuition at any public institution of higher learning in the state. A qualifying business owner or company will receive one credit toward tuition for every qualifying job created. The credit must be used within 10 years of the date it is awarded or it will be deposited into general revenue.

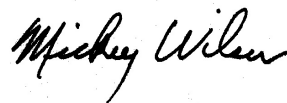
The Department of Economic Development (DED) must administer the program which must be funded from employee withholding taxes. DED must track employer contributions and ensure that the credit toward tuition does not exceed the amount that has been deposited by the employer.

FISCAL DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
Department of Agriculture
Department of Economic Development
Department of Higher Education
Department of Insurance, Financial Institutions and Professional Registration
Department of Labor and Industrial Relations
Department of Natural Resources
Department of Revenue
Joint Committee on Administrative Rules
Linn State Technical College
Metropolitan Community College
Missouri House of Representatives
Missouri Housing Development Commission
Missouri Senate
Missouri State University
Missouri Western State University
Office of Administration
Office of the Governor
Office of the Secretary of State
Office of State Treasurer
St. Louis Community College
State Tax Commission
University of Central Missouri



Mickey Wilson, CPA
Director

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